

Service Date: August 16, 1983

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER Of The Application of )	
The TOWN OF LODGE GRASS For )	UTILITY DIVISION
Authority To Increase Sewer Rates )	DOCKET NO. 82.11.78
And Charges )	ORDER NO. 4954a
_____ )	

APPEARANCES

FOR THE APPLICANT:

Patty Harris, Town Clerk, Town of lodge Grass, Lodge Grass, Montana 59050.

FOR THE INTERVENORS:

None

FOR THE COMMISSION:

Opal Winebrenner, Staff Attorney, 1227 - 11th Avenue, Helena, Montana 59620

BEFORE:

Thomas J. Schneider, Commissioner, Presiding Officer  
Danny Oberg, Commissioner

BACKGROUND

1. On November 10, 1982, the Town of Lodge Grass (Applicant or Town) filed an application with this Commission for authority to increase sewer rates for its Lodge Grass, Montana customers on a permanent basis by approximately 100% which constitutes an annual revenue increase of approximately \$4,086.

2. On November 19, 1982, the Applicant filed an application for an interim increase

in rates of approximately 100% equaling a revenue increase of approximately \$4,086 or 100% of the proposed permanent increase.

3. On December 7, 1982, the Commission having considered the data filed with the Applicant's interim application, issued Order No. 4954 granting the Applicant interim rate relief in the amount of \$4,086 annually.

The Applicant at the time of its filing for interim rate relief was unable to demonstrate that it was "suffering an obvious income deficiency" due to the fact that the prior Town Clerk failed to maintain adequate books and records relative to the sewer utility operations. Given the unique circumstances surrounding the Town's inability to provide adequate financial documentation the Commission waived the requirements of ARM 38.5.506, which requires the utility to show it is suffering an obvious income deficiency.

The Commission in Order No. 4954 found that the Applicant should submit monthly financial statements to the Commission relative to the sewer utility operations in an effort to insure that the interim rates approved in that order were just and reasonable.

4. On July 13, 1983, pursuant to notice of public hearing, a hearing was held in the Town Council Chambers, Town Hall, Lodge Grass, Montana. The purpose of the hearing was to consider the merits of the Applicant's proposed sewer rate adjustment. At the close of the public hearing, the Town waived its rights to a proposed order and stipulated to authorize the Commission to issue a final order in this Docket. Section 2-4-622, MCA.

#### ANALYSIS AND FINDINGS OF FACT

5. At the public hearing the Applicant presented the testimony and exhibits of:

Patty Harris, Town Clerk  
George Lix, Mayor

These witnesses testified relative to: The Town's inability to provide adequate financial data, the present financial condition of the sewer utility, the Coal Board's requirement that sewer rates be increased and the condition of present utility plant.

6. No public testimony was presented at the public hearing in opposition to any issue under consideration by the Commission in this Docket.

7. From the outset of proceedings in this Docket the Town has been candid about its inability to provide adequate financial data which would support its contention that an increase in

rates is necessary. As explained to the Commission the person holding the position of Town Clerk, prior to July, 1982, failed to maintain books and records sufficient to allow for the reconstruction of prior period financial data.

The Commission, after being confronted with this problem decided at the time of issuance of the interim rate order in this Docket that an appropriate method of determining the adequacy and reasonableness of the proposed rates, in the absence of financial data, was to allow implementation of the proposed rates on a temporary basis. Allowing the implementation of the proposed rates on an interim basis served a dual purpose. The first being an accumulation of financial data with the revenues at the proposed level allowing the Commission to make an informed decision as to the adequacy and reasonableness of the rates. Second, allowing the rates to be effective on an interim basis protected the consumer to the extent that if the proposed rates were excessive the Commission would have the ability to order a rebate of all excess revenues.

8. During the period January through June 1983 the Applicant submitted monthly financial statements to this Commission in compliance with Order No. 4954. A six-month composite of the revenues, at the proposed rate level, and expenses at present levels, for the sewer utility, indicates the following:

Revenue	\$4,663
Expense	<u>\$5,578</u>
Net Loss	\$ 915

9. The composite financial statement indicates that the Applicant during the period January 1, 1983 through June 30, 1983, sustained a net operating loss of \$915. This would appear to indicate that the rates as proposed by the Applicant are not adequate to cover the cost of operating the sewer utility. But it must be remembered that a six-month period does not portray financial performance with the degree of accuracy necessary to make a conclusion, given fluctuations in revenue and expense that can occur over the short term.

The short term financial data submitted by the Applicant can be used as an indicator, and in this instance it would indicate that the proposed rates are reasonable and could over the period of a year, with the elimination of short-term fluctuations in revenue and expense, provide adequate revenue to allow for proper operation of the sewer utility.

10. The Applicant has received funds from the Montana Coal Board to maintain and

upgrade existing utility plant. As a prerequisite for obtaining funds from the Montana Coal Board the Town was directed to file an application with this Commission for implementation of rates that would be sufficient to adequately maintain the existing utility facilities.

Prior to filing the application for increased rates, with this Commission, the Town submitted the rates to the Montana Coal Board for their review and acceptance of the proposed rates. Upon review the Montana Coal Board informed the Town that the rates, presented to them and subsequently filed with this Commission, were acceptable and satisfied the prerequisite for obtaining funds.

11. The Applicant, at the public hearing, expressed a desire to increase the consumption rates by a percentage amount equal to the percentage increase in the minimum charge. While the Commission agrees that the consumption rate should be increased, absent substantial data relative to the consumption patterns of the consumers the Commission cannot determine the revenue impact or the appropriate level of increase to apply to the various consumption blocks. Also the Commission recognizes the limitations placed on it by the notice of public hearing, any increase in the consumption rate would result in a reduction in the Applicant's proposed minimum charge because the Commission is limited to granting a revenue increase in an amount no greater than that contained in the notice of public hearing. Therefore, based upon the preceding the Commission finds it inappropriate at this time to make any modifications to the Applicant's consumption rates but does recommend the Applicant examine increasing those rates when and if it becomes necessary to generate additional revenues in the future.

12. Based upon the preceding findings of fact the Commission finds that the Applicant's proposed rate increase should be approved as filed.

#### CONCLUSIONS OF LAW

1. The Montana Public Service Commission properly exercises jurisdiction over the parties and subject matter in this proceeding. Section 69-3-102, MCA.

2. The Commission afforded all interested parties in this proceeding proper notice and an opportunity to participate. Section 69-3-303, MCA.

3. The rates approved herein are reasonable, just and proper. Section 69-3-201, MCA.

ORDER

THEREFORE, THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. The Town of Lodge Grass shall file tariffs, consistent with the Findings of Fact herein, generating an annual revenue increase of \$4,086. These revenues are in lieu of and not in addition to the revenues granted in this Commission's Order No. 4954.

2. The rates approved for the Town of Lodge Grass in Interim Order No. 4954 are hereby made permanent and shall be effective for services rendered on and after August 15, 1983.

3. A full, true and correct copy of this order shall be sent forthwith by first class United States mail to the Applicant and all other appearances herein.

DONE IN OPEN SESSION at Helena, Montana this 15th day of August, 1983 by a 5 - O vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

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Thomas J. Schneider, Chairman

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John B. Driscoll, Commissioner

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Howard L. Ellis, Commissioner

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Clyde Jarvis, Commissioner

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Danny Oberg, Commissioner

ATTEST:

Madeline L. Cottrill  
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.